

Net Gaming Europe AB (publ) – Interim Report Q1 2020

Stable first quarter and refinancing in place

First quarter 2020

- Revenue amounted to EUR 3,191 (4,053) thousand.
- EBITDA amounted to EUR 1,742 (2,553) thousand.
- Profit after tax was EUR 2,759 (1,941) thousand.
- Earnings per share after dilution amounted to EUR 0.036 (0.026).
- New Depositing Customers (NDC) declined by -16% (-15%).
- Cash flow from operating activities amounted to EUR 1,625 (2,835) thousand.

Significant events in the quarter

- The Board of Net Gaming Europe AB appointed Robert Andersson as new President and CEO with immediate effect. The purpose of the change is to create better conditions for Net Gaming to return to growth while maintaining profitability and to generate shareholder value in the short and long term. In connection with the change, Marcus Teilman left his positions as CEO and Board member.
- Net Gaming made further repurchases of the Company's own corporate bonds on the market, corresponding to a nominal amount of SEK 55 million. Including the previously communicated repurchases of SEK 67 million, Net Gaming's bond repurchases amount to SEK 122 million.
- Net Gaming provided an update on results for Q1 2020 and the impact of COVID-19 and decided to postpone the AGM and publication of the annual report.

Significant events after the quarter

- In April, Net Gaming applied for bondholders' approval concerning certain changes to the terms of the Company's outstanding senior secured bond.
- In May, it was announced that a qualified majority had voted in favour of the proposed changes to the bond terms for the outstanding senior secured bond. The changes included an extension of the bond's maturity to September 2022, with a retained interest rate of 7.25%.
- The new CEO has conducted a strategic review of the Company's operations, which has already created a clearer operational organisation with clearer processes and areas of responsibility, and a focus on fewer products, while at the same time the Company has employed more operational expertise to drive future growth.
- The Company's impact from COVID-19 after the end of the period remains in line with the communication that was issued on 31 March 2020. Demand for casino and poker traffic shows a continuing positive trend after the end of the period.
- The 2019 annual report was published on 30 April.

Key figures

EUR thousands	Jan-Mar			Jan-Dec		
	2020	2019	Y/Y%	2019	2018	Y/Y%
Revenue	3,191	4,053	-21%	14,302	18,556	-23%
Organic growth, %	-22%	-12%	-10 pp	-25%	12%	-37 pp
EBITDA	1,742	2,553	-32%	8,358	12,500	-33%
EBITDA margin, %	55%	63%	-8 pp	58%	67%	-9 pp
Profit after tax	2,759	1,941	+42%	4,933	7,792	-37%
Earnings per share (after dilution)	0.036	0.026	+40%	0.065	0.107	-39%
Net debt/EBITDA (rolling 12 mth)	2.7	2.1	-	2.7	2.1	-
NDC growth, %	-16%	-15%	-1 pp	-19%	+23%	-42 pp

pp = percentage point

Q1 2020



-22%

Organic growth

Interim report Q1 2020



-32%

EBITDA growth

Net Gaming Europe AB (publ)



+40%

Earnings per share

1 (19)

CEO's comments: Join the Ride



I have followed most companies in the gaming and affiliate sector for a long time. One company that has always piqued my interest is Net Gaming – a company with great potential but, in my perception, one that has not gone the whole distance. It is now my great privilege to be the Company's newly appointed CEO and to work with our employees to ensure that the Company's development is reversed. Looking at the last quarter, with revenue of EUR 3,191 thousand and EBITDA of EUR 1,742 thousand, we see that we have continued to show a marginal decline. Our focus now is to utilise the Company's potential in the form of employees, customers, end users, brands and geographical markets, as we move forward at high speed.

I have been following Net Gaming's development closely over the last few years and have noticed how it has recently lost its growth. I have historically been attracted by challenges where you can make a difference, so it feels exciting and motivating to take over as Net Gaming's CEO. During my initial time as CEO, I have met virtually all employees in private conversations to gain a full insight into the Company, and my previous analysis has been confirmed. The Company is full of untapped talent in a setting where organisation and workflows have not been optimally designed and to some extent have had the wrong focus. What is positive about this is that we have worked together as a team to quickly identify the "low-hanging fruits" and the change work is now progressing at a rapid pace. The plan ahead is clear and I am convinced that we have a bright future. It is now important to focus on operational efficiency while building a strong organisation for the future.

First quarter a dynamic period

The period after my appointment at the end of February has been, to put it mildly, dynamic and having to start directing remote work due to the global COVID-19 situation after three weeks as new CEO of a company has been a new challenge, not just for me but for the whole Company. It is with pride that I can say that we succeeded in switching an entire business to remote working overnight and everyone has really shown that nothing can stop us and the change work that has been initiated. I am impressed by the dedication of the entire team in taking care of each other and supporting each other, on top of the responsibility of doing their job and more besides.

As we leave the first quarter, we can look ahead at what is interesting and where the focus should be. First and foremost, we will have to drive change in order to drive growth and profitability. It feels like the whole Company is part of this and understands the importance of changing the way of thinking and working, ensuring our customers and users come first, which is what creates our business. As far as this industry is concerned, Net Gaming is an "old" company that is finding its way back to its entrepreneurial spirit and speed – the desire and understanding are there!

Refinancing in place – a show of strength

In April, we initiated a voting procedure to change certain terms of our outstanding bond, including extending the due date by two years to September 2022. This has now been completed, which is very pleasing and a show of strength from the Company in the current market. Securing the refinancing will be good for both shareholders and bondholders and it gives us breathing space to continue to develop the Company with a focus on profitable organic growth, thereby reducing the net debt/EBITDA ratio and building shareholder value in the future.

As part of the optimisation of our capital structure, we have repurchased the Company's own bonds on the market in 2019 and in March 2020. Repurchases were made at a corresponding nominal amount of SEK 67 million were made in 2019, with a further SEK 55 million in March 2020, totalling SEK 122 million. We will continue to work intensively on optimising the

Company's capital structure, which our underlying earnings capacity and strong cash conversion enable us to do.

We now start to write an important new chapter in the Company's history, in which those of us who are lucky enough to work here will join forces to build a stronger, more profitable and more fun company, which will benefit all our customers, end users, suppliers and, of course, you as shareholders.

Join the Ride

Robert Andersson, President and CEO

The Group's development

QUARTER JAN–MAR 2020

Revenue

Revenue for Q1 2020 declined to EUR 3,191 (4,053) thousand, as a result of negative organic growth of - 22%.

Revenue for Q1 2020 compared with 2019 continued to be negatively affected by the wave of local regulation in Europe and a continuing transition from CPA to revenue share, which is now 59% (40%) of total revenue. The transition to an increased percentage for revenue share has stabilised at about 50-60% of the Company's revenue and has an adverse effect on revenue in the short term, but strengthens our growth and stability in the long term.

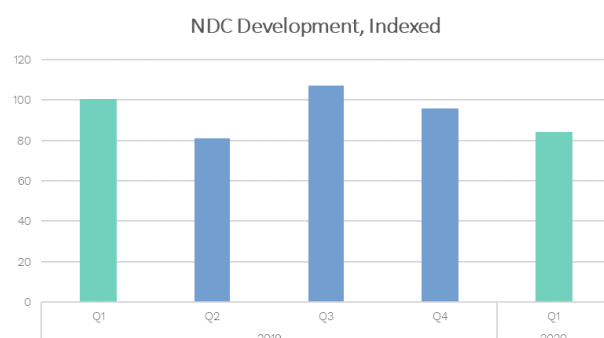
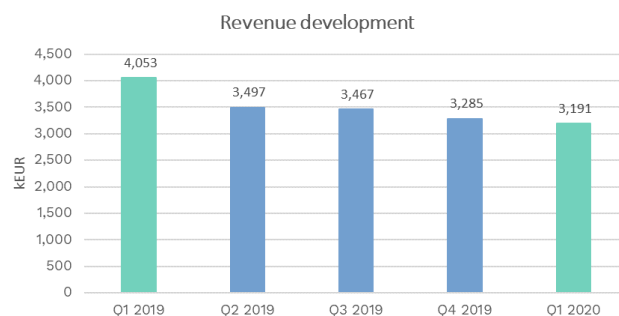
Growth in New Depositing Customers (NDC) followed the same trend as revenue, decreasing by 16% compared with the corresponding period the previous year.

During the second half of the quarter, we have seen an increasing traffic flow primarily in Casino and Poker.

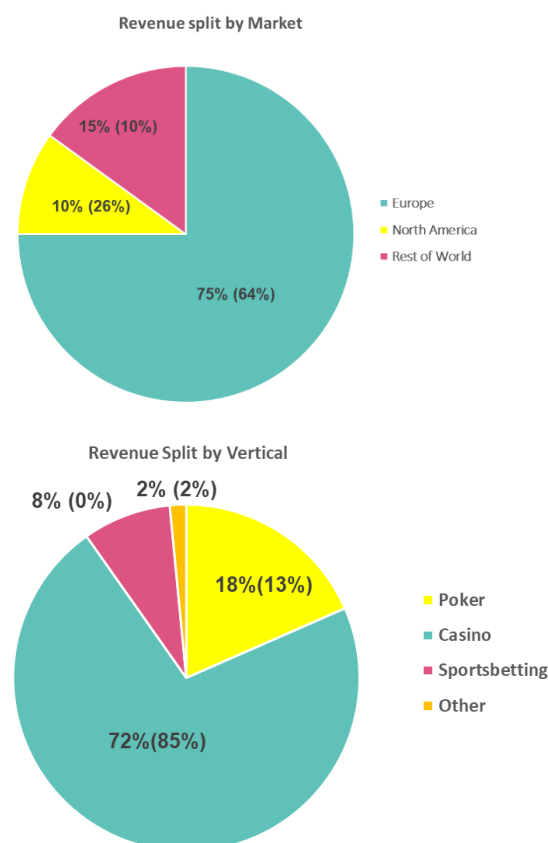
90% of Net Gaming's revenue was generated from the Casino and Poker verticals in Q1 2020. The two verticals showed stable development in March, with increasing traffic, and no negative effect can be seen after the COVID-19 outbreak. Demand for casino and poker traffic is currently showing a positive trend which is expected to continue during Q2 2020.

Net Gaming currently has limited exposure to sports betting and only 8% of the Company's total revenue was generated from the vertical in Q1 2020. The Company therefore expects a limited effect from the many cancelled sports events globally. Net Gaming also expects some of the sports betting revenue that would have been realised in the first half of 2020 to be postponed to the second half of 2020 or to 2021, depending on when and whether the postponed events are re-timetabled. Direct costs related to the Sports betting vertical are relatively low and there are only a few employees currently working directly with Sports betting assets.

Since the previous year, we have also seen our position with strong domains in the North American market strengthening as more states are regulated. However, revenue for Q1 2020 declined compared with the previous year as a result of an increasingly intense competition in North America while revenue in Europe has grown through growth in sports betting. However, the North American market remains attractive to us, with



The chart shows an index of NDC development over time. NDC stands for new depositing customer, i.e. a newly depositing customer that Net Gaming has referred to one of its customers. The charts above do not show absolute figures, but a percentage development from index 100 in Q1 2019.



the ongoing wave of regulation which is expected to create one of the world's largest markets over time. Several initiatives have been taken to strengthen our position in the North American market, including the recent relaunch of Pokerlistings.com, the recent launch of a separate sports betting and casino section, while an offering in the form of social gaming was launched at the end of the quarter, which we expect to produce results going forward.

We see a continuing high proportion of revenue in our betting vertical, which has contributed positively to our revenue diversification in 2019 and the first quarter of 2020. The growth is driven both by initiatives we have launched and the refinement of domains acquired through MaxFreeBets in July 2019.

Costs

Operating expenses increased slightly during Q1 2020 compared with the previous year, and show a slight sequential increase from Q4 2019.

Q1 personnel expenses fell to EUR 923 (983) thousand compared with the first quarter of 2019. Sequentially, personnel expenses have increased, primarily driven by organisational development and recruitment of key operational personnel to strengthen our conditions for growth.

Other external expenses in the quarter increased compared with the previous year, driven by a provision for a credit loss of just over EUR 50 thousand and increased consultancy expenses related to the development of sites in North America and Europe. We have a strong focus on continuing cost control in order to run operations with a high margin.

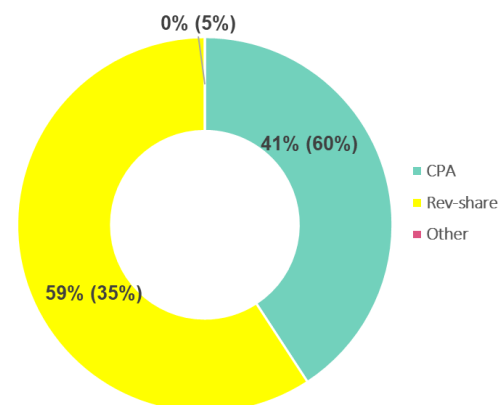
Earnings

EBITDA declined by 32% to EUR 1,742 (2,553) thousand. The EBITDA margin fell to 55%, compared with 63% in Q1 2019, primarily attributable to the decline in revenue.

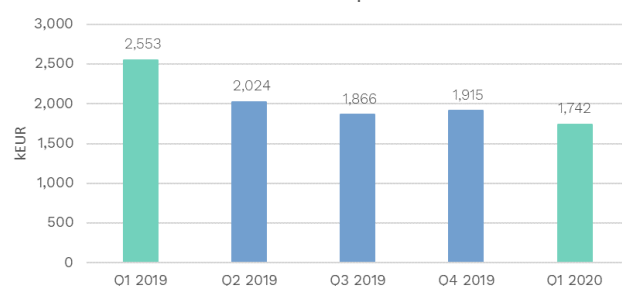
Net Gaming's net financial items for Q1 2020 amounted to EUR 1,251 thousand, compared with EUR -298 thousand for the same period the previous year. Net financial items in Q1 2020 were positively affected by currency effects of EUR 1,336 (458) thousand related to conversion of the loan financing, arranged in SEK, and cash proceeds. As a result of the Company having a strong cash position, bonds with a nominal value corresponding to SEK 55 million were repurchased during Q1 2020. Finance income of EUR 567 thousand related to bond repurchasing in 2020 was generated during the quarter.

Profit after tax increased to EUR 2,759 (1,941) thousand and the period's earnings per share after dilution amounted to EUR 0.036 (0.026).

Split by revenue model



EBITDA-development



Financial position

Cash flow and investments

Cash flow from operating activities during Q1 amounted to EUR 1,625 thousand, compared with EUR 2,835 thousand in Q1 2019. The decline is mainly related to lower revenue compared with Q1 2019, but is also due to the first quarter of the previous year having been positively affected by a reduced level of trade receivables as revenue declined. Compared with the previous quarter, cash flow from operating activities and working capital development are relatively stable. The Company continues to have a very low level of credit losses.

Cash flow from investing activities, which, apart from acquisition activities, is limited as the Company's business model is not capital-intensive, amounted to EUR -214 thousand, compared with EUR -236 thousand in Q1 2019. Investments (acquisition of intangible assets) in Q1 2020 were mainly related to website development for expansion into the North American and European markets.

Cash flow from financing activities amounted to EUR -5,027 (-697) thousand in Q1 and consisted primarily of interest paid on the bond and proceeds of EUR -4,461 thousand related to repurchases of the Company's own bonds.

Liquidity and financial position

The Group's interest-bearing net debt at the end of the period was EUR 20,726 thousand, compared with EUR 24,686 thousand at the end of Q1 2019. Net Gaming's current gross debt amounts to SEK 259.2 million, of which the bond amounts to SEK 253 million (excluding the bond repurchases of SEK 122 million in Q4 2019 and Q1 2020). Converted using the closing rate, the bond loan amounts to EUR 22,873 thousand. As of 31 March 2020, the current net debt/EBITDA ratio is 2.7. Net Gaming's long-term target is a maximum net debt/EBITDA ratio of 2.0 over time. During 2020 and beyond, the Company will continue its efforts to reduce the net debt/EBITDA ratio.

At 31 March 2020, the Company has a total provision of EUR 587 thousand to cover any additional consideration related to completed acquisitions of domains. The outstanding bond at 31 March 2020 was scheduled for repayment in September 2020 before the bond terms were renegotiated in May, and it is therefore reported as a current liability in the balance sheet in this quarterly report.

The translation effect of converting the bond loan and cash proceeds from SEK to EUR was EUR 1,336 thousand at the end of Q1, which had a positive impact on net financial items. The Company's cash and cash equivalents at the end of Q1 2020 amounted to EUR 2,886 (12,027) thousand.

In May, certain changes were made to the terms of the outstanding senior secured bond. The changes included an extension of the bond's maturity to September 2022, with a retained interest rate of 7.25%.

The equity/assets ratio was 53 (38) percent and equity was EUR 28,802 (23,079) thousand at 31 March 2020. The Company conducts quarterly impairment testing to assess whether there is any goodwill impairment. Impairment testing conducted in March 2020 did not identify any goodwill impairment.

Financial targets

The Board of Net Gaming has defined the following financial targets and objectives:

EPS growth

Net Gaming's target is average annual EPS growth of at least 20% over time. Growth in earnings per share is the overall financial objective. It is Net Gaming's assessment that strong growth in earnings per share is the best measure for shareholder value over time.

Organic revenue growth

Net Gaming's long-term target is annual organic revenue growth in the range of 15 to 25%. Net Gaming will continuously invest in the core business and new internal growth initiatives to ensure strong and sustainable organic growth. The time when growth initiatives bear fruit may vary, which means that organic growth may fluctuate over time. The Company's definition of organic growth is based on net sales compared with the previous period, excluding acquisitions (last 12 months) and divestments, and exchange rate movements.

Capital structure







Net Gaming's financial target is a maximum net debt/EBITDA ratio of 2.0 over time. Net Gaming will conduct operations at low financial risk over time by maintaining low net debt. The Board is entitled to derogate from this objective during periods when this is considered best for the Company and for shareholder value.

Dividend policy

Over the next three years, Net Gaming will prioritise growth through organic growth initiatives and will make optimisation of the capital structure rather than dividends its priority. The Board will recommend to the AGM on 25 June 2020 that no dividend be paid for the financial year 2019.

Overview of outcomes of financial targets

The table below shows the outcomes of the defined financial targets.

Period	EPS growth	Organic revenue growth	Capital structure
Jan-Mar 2020	+40% 	-22% 	2.7 
Jan-Dec 2019	-39% 	-25% 	2.8 

Other information

The share

On 30 June 2018, Net Gaming Europe (publ) was listed on Nasdaq First North Premier Growth Market, Stockholm (NETG).

Share capital

On 31 March 2020, share capital amounted to EUR 1,913 thousand, divided into 75,604,487 shares. The Company has one class of shares – A shares. Each share entitles the holder to (1) vote at the shareholders' meeting. On 31 March 2020, the number of shareholders was 2,227.

At the end of the quarter, the Company had a total of 250,000 warrants outstanding and 300,000 employee share options.

Shareholder structure

The total number of shares in the Company on 31 March 2020 was 75,604,487, distributed as shown below.

Name	No. of shares	Ownership, %
Trottholmen AB	47,572,382	62.92%
JPM Chase NA	10,863,931	14.37%
Avanza Pension	1,939,731	2.57%
Credit Suisse	1,111,111	1.47%
JRS Asset Management	826,546	1.09%
Stefan Mahlstein	794,333	1.05%
Leoville AS	569,853	0.75%
ES Aktiehandel	500,000	0.66%
SEB AB Oslo Branch	463,902	0.61%
UBS Switzerland AG	447,590	0.59%
Other shareholders	10,515,108	13.92%
TOTAL	75,604,487	100.00%

Parent Company

Net Gaming Europe AB is the ultimate holding company in the Group (hereinafter referred to as the “the Company” or “the Parent Company”) and was registered in Sweden on 14 December 2005. The Company’s shares have been listed on Nasdaq First North Premier Growth Market since June 2018. The Company generates revenue via internal Group services in IT, marketing, financial services and management. The Group’s financing is arranged in the Parent Company via a bond, which is registered on Nasdaq Stockholm’s Corporate Bond list. In 2020, the Parent Company received dividends from subsidiaries amounting to EUR 1.0 (0.0) million.

Relevant risks and uncertainties

Net Gaming is exposed to a number of business and financial risks. The business risks can be divided into strategic, operational and legal risks. Financial risks are related to factors such as exchange rates, interest rates, liquidity and credit. Risk management within the Net Gaming Group is aimed at identifying, controlling and reducing risks. This is achieved based on a probability and impact assessment. The risk assessment is unchanged from the risk profile presented on pages 30, 45-47 and 78-79 of the 2019 annual report. The Parent Company’s risks and uncertainties are indirectly the same as for the Group.

Outlook

Net Gaming is not providing any forecasts in this report.

Seasonality

Net Gaming is affected by seasonal variations, with Q1 (Jan-March) and Q4 (Oct-Dec) revenue being somewhat stronger, while Q2 (Apr-Jun) and Q3 (Jul-Sep) are relatively weaker. The revenue seasonality follows the normal pattern for the iGaming industry. Net Gaming has a relatively fixed cost base and a scalable platform, which means that the EBITDA margin is somewhat higher in Q1 (Jan-Mar) and Q4 (Oct-Dec).

Supplementary information

The Board of Directors and the CEO hereby certify that this report provides a true and fair view of the Parent Company’s and the Group’s operations, financial position and financial performance for the current period, and describes material risks and uncertainties faced by the Parent Company and other Group companies.

This interim report has not been audited or reviewed by the Company’s auditors.

Stockholm, 20 May 2020

BOARD OF DIRECTORS

Henrik Kvick
Chairman

Jonas Bertilsson
Board member

Peter Åström
Board member

Fredrik Rüdén
Board member

Robert Andersson
President and CEO

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Gustav Vadenbring, CFO
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Forthcoming report dates

2020 AGM: 25 June 2020

Interim report January-June 2020: 13 August 2020

Interim report January-September 2020: 12 November 2020

Presentation for investors, analysts and media

A live webcast will be held on 20 May 2020 at 10.00 a.m. Swedish time. CEO Robert Andersson and CFO Gustav Vadenbring will present the report in English. You can follow the presentation here <https://tv.streamfabriken.com/net-gaming-europe-q1-2020>

To join the conference call, ring:

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The appointed Certified Adviser is FNCA Sweden AB, info@fnca.se, +46 8 528 00 399.

This information is information that Net Gaming Europe AB (publ) is required to disclose under the EU Market Abuse Regulation. The information was provided by the contact person above for publication on 20 May 2020 at 08.00 CET.

Consolidated Statement of Comprehensive Income

	01/01/2020 31/03/2020	01/01/2019 31/03/2019	01/01/2019 31/12/2019
<i>Amounts in EUR thousands</i>			
Revenue <i>notes 2, 3</i>	3,191	4,053	14,302
Total revenue	3,191	4,053	14,302
Capitalised work for own account	204	107	565
Other external expenses	-726	-608	-2,864
Personnel expenses	-923	-983	-3,719
Other operating income	-	-	122
Other operating expenses	-4	-16	-49
EBITDA	1,742	2,553	8,358
Depreciation/amortisation	-151	-186	-727
Operating profit (EBIT)	1,591	2,367	7,631
Profit/loss from financial items			
Interest and similar income	567	-	306
Interest and similar expenses	-652	-756	-2,999
Impairment of financial assets	-	-	-331
Other financial items	1,336	458	708
Profit/loss from financial items	1,251	-298	-2,317
Profit before tax	2,842	2,069	5,314
Tax on profit for the year	-83	-128	-380
Profit/loss for the period	2,759	1,941	4,933
Earnings per share (EUR)	0.036	0.026	0.065
Earnings per share after dilution (EUR)	0.036	0.026	0.065
Other comprehensive income, income and expenses recognised directly in equity			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	6	14	13
Other comprehensive income for the year	6	14	13
Total comprehensive income for the period	2,765	1,955	4,946

Consolidated Statement of Financial Position

Amounts in EUR thousands	31/03/2020	31/03/2019	31/12/2019
Assets			
Non-current assets			
Goodwill	42,856	42,856	42,856
Other intangible assets	5,117	2,755	5,005
Right-of-use assets	328	197	366
Property, plant and equipment	183	243	193
Other non-current receivables	114	479	116
Deferred tax assets	80	409	156
Total non-current assets	48,678	46,939	48,692
Current assets			
Trade receivables	1,731	1,140	1,559
Other receivables	716	156	750
Prepayments and accrued income	171	108	167
Cash and cash equivalents	2,886	12,027	6,771
Total current assets	5,504	13,341	9,247
Total assets	54,182	60,370	57,939
Equity and liabilities			
Equity <i>note 4</i>	28,802	23,079	26,062
Non-current liabilities			
Borrowing	-	35,542	-
Lease liabilities	177	31	213
Total non-current liabilities and provisions	177	35,573	213
Current liabilities			
Borrowing <i>note 5</i>	22,768	-	29,276
Trade payables	247	258	266
Liabilities to Parent Company	340	347	356
Other liabilities	1,153	322	1,156
Lease liabilities	152	147	152
Accruals and deferred income	543	644	458
Total current liabilities	25,203	1,718	31,664
Total equity and liabilities	54,182	60,370	57,939

Consolidated Statement of Changes in Equity

<i>Amounts in EUR thousands</i>	<i>Share capital</i>	<i>Other paid-in capital</i>	<i>Reserves</i>	<i>Retained earnings incl. year's income</i>	<i>Total equity</i>
Opening equity, 1 Jan 2019	1,913	12,424	2,688	4,095	21,120
Share-based payments	-	21	-	-	21
Option proceeds received	-	17	-	-	17
Repayment of option proceeds	-	-42	-	-	-42
Comprehensive income for the period	-	-	13	4,933	4,946
Closing equity, 31 Dec 2019	1,913	12,420	2,700	9,029	26,062
Opening equity, 1 Jan 2020	1,913	12,420	2,700	9,029	26,062
Share-based payments	-	-25	-	-	-25
Comprehensive income for the period	-	-	6	2,759	2,765
Closing equity, 31 Mar 2020	1,913	12,395	2,706	11,788	28,802

Consolidated Cash Flow Statement

	01/01/2020 31/03/2020	01/01/2019 31/03/2019	01/01/2019 31/12/2019
<i>Amounts in EUR thousands</i>			
Operating activities			
Profit before tax	2,842	2,069	5,314
Adjustments for non-cash items not included in operating activities			
- Depreciation and amortisation of assets	151	186	727
- Exchange gains/losses on financial receivables and liabilities	-1,336	-458	-708
- Costs for share-based programmes	-25	5	21
- Gain/loss on sale of other assets	-	1	-99
- Impairment of financial assets	-	-	331
Interest and similar expenses	652	756	2,999
Interest and similar income	-567	-	-306
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables	-176	759	271
Increase (+)/Decrease (-) in operating liabilities	84	-483	-394
Cash flow from operating activities	1,625	2,835	8,156
Investing activities			
Acquisition of property, plant and equipment	-8	-40	-49
Acquisition of intangible assets	-209	-196	-2,502
Sale of other assets	3	-	358
Cash flow from investing activities	-214	-236	-2,193
Financing activities			
Received and repaid option proceeds	-	-	-22
Repayment of borrowings	-4,461	-	-5,959
Interest paid	-521	-644	-2,583
Repayment of lease liabilities	-45	-53	-129
Cash flow from financing activities	-5,027	-697	-8,694
Cash flow for period	-3,616	1,902	-2,731
Cash & cash equivalents at beginning of	6,771	10,094	10,094
Exchange differences	-304	31	-30
Reclassification from cash & cash equivalents to other current financial assets	35	-	-563
Cash & cash equivalents at end of period	2,886	12,027	6,771

Income Statement – Parent Company

	01/01/2020 31/03/2020	01/01/2019 31/03/2019	01/01/2019 31/12/2019
<i>Amounts in EUR thousands</i>			
Revenue	139	71	532
Total revenue	139	71	532
Operating expenses			
Other external expenses	-94	-89	-445
Personnel expenses	-142	-54	-417
Other operating expenses	9	-	-
Other operating income	-	-	4
EBITDA	-88	-72	-326
Depreciation/amortisation	-	-4	-11
Operating loss	-88	-76	-337
Profit/loss from financial items			
Profit from investments in Group companies	1,000	-	7,800
Other interest and similar income	577	23	376
Interest and similar expenses	-644	-743	-2,976
Other financial items	1,346	458	718
Profit/loss after financial items	2,191	-338	5,581
Tax on profit for the year	-	-	-
Profit for the	2,191	-338	5,581

Balance Sheet – Parent Company

	31/03/2020	31/03/2019	31/12/2019
<i>Amounts in EUR thousands</i>			
Assets			
Total non-current assets	31,581	31,606	31,581
Total current assets	2,248	6,445	6,640
Total assets	33,829	38,051	38,221
Equity and liabilities			
Equity	9,892	1,816	7,726
Total non-current liabilities	-	35,550	-
Total current liabilities – note 5	23,937	685	30,495
Total equity and liabilities	33,829	38,051	38,221

Notes to the Group's interim report

1. Accounting policies

This interim report has been prepared in accordance with IAS 34. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, IFRS. For detailed information about accounting policies, see pages 56-60 of the Company's 2019 annual report and the notes in the report [https://www.netgaming.se/en/financial-reports/Net Gaming publish annual report for 2019](https://www.netgaming.se/en/financial-reports/Net%20Gaming%20publish%20annual%20report%20for%202019)

Fair value of financial instruments

When determining the fair value of an asset or liability, the Group uses observable data as far as possible in accordance with IFRS 13. Fair value measurement is based on the fair value hierarchy, which categorises inputs into different levels. For detailed information, see page 59 of the 2019 annual report.

The following items are measured at amortised cost, with their carrying amounts being a reasonable approximation of their fair values due to their short-term nature: trade receivables, other receivables, cash and cash equivalents, trade payables and other liabilities. In addition, the Company has a bond of SEK 253 million, which is measured at amortised cost. The bond corresponds to EUR 22,768 thousand using the closing rate on 31 March 2020. The bond's fair value measurement is classified as level 2 and is based on listings with brokers. Similar contracts are traded in an active market, and the rates reflect actual transactions for comparable instruments.

At 31 March 2020, the Company did not have any other financial instruments categorised in level 2 of the fair value hierarchy. There were no transfers between levels during Q1 2020 or in 2019.

On 1 July 2019, the Group acquired affiliate assets, which were primarily focused on the UK market. The Group acquired the assets for an initial consideration and a subsequent contingent consideration based on fulfilment of a minimum level of performance during a certain period. On 31 March 2020, the present value of the contingent consideration was EUR 587 thousand. This is presented under "Other liabilities" in the statement of financial position and is classified under Level 3 of the fair value measurement hierarchy.

2. Organic revenue growth

Net Gaming's long-term target is **organic revenue growth in the range of 15 to 25%.**

Net Gaming will continuously invest in the core business and new internal growth initiatives to ensure strong and sustainable organic growth. The time when growth initiatives bear fruit may vary, which means that organic growth may fluctuate over time. Net Gaming's definition of organic growth is based on net sales compared with the previous period, excluding acquisitions in accordance with IFRS 3 (in the last 12 months), divestments and exchange rate movements.

Organic revenue growth - bridge Q1 2020

Amounts in EUR thousands	01/01/2020 31/03/2020 Growth, %	01/01/2020 31/03/2020 Absolute figures	01/01/2019 31/03/2019 Absolute figures	Deviation Absolute figures
Total growth, EUR	-21.3%	3,191	4,053	-862
Adjustment acquired and divested/discontinued operations	0%	-	-	-
Total growth in EUR, excl. acquisitions and discontinued operations	-21.3%	3,191	4,053	-862
Adjustment for constant currency	-0.9%	-	49	-49
Total organic sales growth	-22.2%	3,191	4,102	-911

Organic revenue growth - bridge Q1 2019

Amounts in EUR thousands	01/01/2019 31/03/2019 Growth, %	01/01/2019 31/03/2019 Absolute figures	01/01/2018 31/03/2018 Absolute figures	Deviation Absolute figures
Total growth, EUR	-6.3%	4,053	4,328	-275
Adjustment acquired and divested/discontinued operations	-3.8%	-195	-35	-160
Total growth in EUR, excl. acquisitions and discontinued operations	-10.1%	3,858	4,292	-435
Adjustment for constant currency	-1.6%	-	75	-75
Total organic sales growth	-11.7%	3,858	4,368	-510

3. Revenue

The Group's revenue for Q1 2020 and the financial year ended 31 December 2019 was distributed as follows;

Amounts in EUR thousands	01/01/2020 31/03/2020	01/01/2019 31/03/2019	01/01/2019 31/12/2019
Revenue distribution by vertical (Affiliate)			
Casino	2,291	3,448	11,433
Poker	588	523	1,936
Sports betting	263	4	682
Other verticals	49	78	251
Total revenue	3,191	4,053	14,302

Revenue attributable to Sweden in Q1 2020 amounted to 2% (2%). The corresponding amount for the full year 2019 was 2% (4%).

4. Share-based payments

The Company has incentive programmes from 2017 and 2019 consisting of 300,000 employee share options and 250,000 warrants. For share-based remuneration for 2017, 2018 and 2019, see note 15 on page 68 of the 2019 Annual Report.

In Q1 2020, 300,000 employee share options were forfeited and the previously recognised cost of these options has been reversed. This means that the total reported cost associated with the above share-based programme, which is settled with equity instruments, is EUR -25 (5) thousand for Q1 2020. The corresponding cash flow for the full year 2019 amounted to EUR 21 (12) thousand. The cost also includes the cost of social security contributions.

5. Borrowing

Borrowing consists of a bond loan amounting to SEK 253 (375) million. In Q4 2019, bonds were repurchased on the market at a nominal amount of SEK 67 million and more bonds were repurchased in Q1 2020 at a nominal amount of SEK 55 million.

The carrying amount and market value of the bond are as follows:

<i>Amounts in EUR thousands</i>	<i>31/03/2020</i>	<i>31/03/2019</i>	<i>31/12/2019</i>
Corporate bond			
Nominal amount	22,872	36,065	29,483
Prepaid transaction costs	-104	-523	-207
Carrying amount	22,768	35,542	29,276
Market value	18,412	36,515	28,230

The bond matures in September 2022 and was listed for institutional trading on Nasdaq Stockholm's Corporate Bonds List on 7 November 2017. The bond has a variable interest rate of Stibor 3m + 7.25 %.

In May 2020, the bondholders voted for an extension of the bond to September 2022 by written procedure, thereby accepting a two-year extension of the bond (see note 8).

Transaction costs for bond loans

Net Gaming recognises loan liabilities initially at fair value after transaction costs, and thereafter at amortised cost. Amortised cost is calculated based on the effective interest method used at initial recognition. This means that premiums and discounts and direct issue costs are amortised over the term of the liability.

6. Related-party transactions

There were no related party transactions that significantly affected the Company's earnings and financial position during the period. For information on related-party transactions, see note 29 of the 2019 annual report.

7. Pledged assets and contingent liabilities

Pledged assets and contingent liabilities are possible obligations that arise from past events and whose existence is confirmed only by the occurrence or non- occurrence of one or more uncertain future events outside the Group's control, or when there is an obligation arising from past events which is not recognised as a liability or provision because it is not probable that an outflow of resources will be required to settle the obligation or the amount cannot be measured with sufficient reliability.

<i>Amounts in EUR thousands</i>	<i>Group</i>		<i>Parent Company</i>	
	<i>31/03/2020</i>	<i>31/03/2019</i>	<i>31/03/2020</i>	<i>31/03/2019</i>
Net assets/Shares in subsidiaries pledged as collateral for bonds	49,855	51,687	31,606	31,581

The Parent Company has pledged all shares in the acquired subsidiary to provide collateral for borrowing related to the acquisition of the subsidiary HLM Malta Limited. For the Parent Company, the value of the pledged shares comprises the cost, while for the Group the value comprises total net assets, which would disappear from the Group if the subsidiary shares were foreclosed.

8. Events after the end of the period

In April, Net Gaming applied for bondholders' approval concerning certain changes to the terms of the Company's outstanding senior secured bond.

In May, it was announced that a qualified majority had voted in favour of the proposed changes to the bond terms for the outstanding senior secured bond. The changes included an extension of the bond's maturity to September 2022, with a retained interest rate of 7.25%.

The new CEO has conducted a strategic review of the Company's operations, which has already created a clearer operational organisation with clearer processes and areas of responsibility, and a focus on fewer products, while at the same time the Company has employed more operational expertise to drive future growth.

The Company's impact from COVID-19 after the end of the period remains in line with the communication that was issued on 31 March 2020. Demand for casino and poker traffic shows a continuing positive trend after the end of the period. Net Gaming has limited exposure to betting as only 8% of the Company's total revenue was generated from the vertical in Q1 2020.

The 2019 annual report was published on 30 April.

Key figures and definitions

Key figures, Group

	01/01/2020 31/03/2020	01/01/2019 31/03/2019	01/01/2019 31/12/2019	01/01/2018 31/12/2018
EBITDA margin	55%	63%	58%	67%
Operating margin	50%	58%	53%	66%
Organic growth	-22%	-12%	-25%	12%
Equity/assets ratio	53%	38%	45%	36%
Return on equity	10%	9%	21%	54%
Equity per share (EUR)	0.38	0.31	0.34	0.28
Number of registered shares at end of period	75,604,487	75,604,487	75,604,487	75,604,487
Weighted average number of shares before	75,604,487	75,604,487	75,604,487	72,476,411
Weighted average number of shares after dilution	75,604,487	75,604,487	75,604,487	72,476,411
Earnings per share after dilution, continuing operations	0.036	0.026	0.065	0.107
Market price per share at end of period (SEK)	2.55	7.44	4.01	9.78
EPS growth (%)	+40%	-18%	-39%	E/T

Net Gaming presents certain alternative performance measures (APMs) in addition to the conventional financial ratios defined by IFRS, in order to achieve better understanding of the development of operations and the Net Gaming Group's financial status. However, the APMs should not be regarded as a substitute for the key ratios required under IFRS. The reconciliation is presented in the tables in the annual report and should be read in connection with the definitions below.

EBITDA margin	EBITDA in relation to revenue
Equity per share, SEK	Equity divided by the number of shares outstanding.
Geographical distribution of revenue	Revenue per geographic market is distributed based on the original IP addresses of generated leads.
Organic revenue growth	Revenue from affiliate operations compared with the previous period, excluding acquisitions and divestments (last 12 months), in accordance with IFRS 3, and exchange rate movements
Earnings per share, SEK	Profit/loss after tax divided by the average number of shares.
Return on equity	Profit/loss after tax divided by average equity.
Operating margin	Operating profit/loss as a percentage of sales.
Equity/assets ratio	Equity as a percentage of total assets.
Debt/equity ratio	Interest-bearing liabilities including accrued interest related to loan financing, convertibles, lease liabilities, excluding any additional consideration, and less cash, in relation to LTM EBITDA.
EPS growth	Percentage increase in earnings per share (after dilution) between periods.
NDC	The number of new customers making their first deposit with an iGaming (poker, casino, bingo, sports betting) operator. NDCs for the financial vertical are not included.
CPA	Cost Per Acquisition - revenue from "up-front payment" for each individual paying player that Net Gaming refers to its partners (usually the iGaming operator)
Revenue share	Revenue derived from "revenue share", which means that Net Gaming and the iGaming operator share the net gaming revenue that the player generates with the operator.